



Education
Funding
Agency

Dedicated schools grant

Conditions of grant 2015 to 2016

December 2014

Contents

Summary	3
About this document	3
Expiry or review date	3
Who is this document for?	3
Key points	3
Terms on which grant is paid	4
Grant allocation and payment	5
Purpose of the grant	5
Allocation of grant to local authorities	5
Payment arrangements	5
Allocation of grant to schools by local authorities	5
Determination of the local funding formula and funding for high needs pupils	6
Allocations to academies	7
Use of grant monies	8
Accounting	9
Year end procedures	9
Repayment of DSG	10
Local authority reporting requirements	10
External audit arrangements	10

Summary

About this document

These conditions of grant have been prepared by the Education Funding Agency (EFA) to assist local authorities in the operation of the dedicated schools grant (DSG) which is payable to local authorities under section 14 of the Education Act 2002. The conditions of grant have been updated for the 2015 to 2016 financial year.

Expiry or review date

This document will next be reviewed in December 2015.

Who is this document for?

This document is for:

- Local authorities

Key points

These conditions of grant have been updated for the 2015 to 2016 financial year to reflect that local authorities must determine school budget shares for all academies¹ in their area (except free schools opening in 2015 to 2016), including those previously funded as non-recoupment academies.

¹ Including free schools, studio schools and university technology colleges.

Terms on which grant is paid

1. The formal terms of grant given by the Secretary of State under section 16 of the Education Act 2002 state that:
 - a. Grant will be paid as a ring-fenced specific grant and must be used in support of the schools budget as defined in the School and Early Years Finance (England) Regulations 2014. It can be used for no other purpose;
 - b. At the end of the 2015 to 2016 financial year the Chief Finance Officer (CFO) of the local authority is required to append an additional note to the statement of accounts confirming the deployment of the DSG in support of the schools budget as required by the Accounts and Audit (England) Regulations 2011. The CFO is also required to confirm final deployment of the DSG in support of the schools budget in connection with the section 251 outturn statement; and
 - c. Where there is evidence that a local authority has used the grant for any purpose other than to support the schools budget or has failed to comply with any other condition of grant, the Secretary of State reserves the right to recover the grant.

Grant allocation and payment

Purpose of the grant

2. The grant is paid in support of the local authority's schools budget. It is the main source of income for the schools budget.
3. Local authorities are responsible for determining the split of the grant between central expenditure and the Individual Schools Budget (ISB) in conjunction with local schools forums. Local authorities are responsible for allocating the ISB to individual schools in accordance with the local schools' funding formula.
4. Local authorities can add to the schools budget from local sources of income.

Allocation of grant to local authorities

5. The methodology underlying the allocation of DSG to individual local authorities can be found in the [Schools revenue funding 2015 to 2016: technical note](#).

Payment arrangements

6. The grant will be paid to local authorities in 25 instalments during the financial year. The exact dates will be notified to local authorities in February 2015. Initial payments will be based on the total DSG allocation notified in December 2014 minus the total share of the ISB recouped for academies as submitted by each local authority on their final Authority Proforma Tool (APT) in January 2014 and deductions for high needs places
7. The basic method for calculating recoupment will be to take the ISB share calculated by the local authority from the APT in January 2015.
8. Recoupment adjustments will be made throughout 2015 to 2016 as further schools convert to academies. These adjustments will be based on the converted school's share of ISB taking into account the 80% rates relief applied to academies and will be proportional to the period of the financial year for which the school is an academy.

Allocation of grant to schools by local authorities

9. Local authorities retain responsibility for setting the overall level of their ISB and for determining schools' budget shares, subject to the School and Early Years Finance (England) Regulations 2014.

10. Each local authority's scheme for financing schools must contain a provision which sets out the frequency with which the budget share will be made available to governing bodies of maintained schools.

Determination of the local funding formula and funding for high needs pupils

11. The following conditions apply in relation to the determination of the local funding formula and the funding for high needs pupils:

- a. The local authority must maintain a single formula for funding both maintained schools and academies in its area;
- b. In constructing the formula, the local authority must take account of the circumstances of all academies and maintained schools in its area;
- c. The formula must allocate at least 80% of funding through pupil-led factors (single per pupil amount, social deprivation, prior attainment, English as an additional language, pupil mobility, looked after children, differential salaries of teachers near London);
- d. Any limiting or scaling back of the funding of schools and academies that gain from the formula must not exceed in total the cost of funding the minimum funding guarantee (MFG) for schools and academies entitled to the MFG;
- e. In using funding held centrally within DSG, other than funding that has been de-delegated by maintained schools, the local authority must treat maintained schools and academies on an equivalent basis;
- f. In making arrangements for funding young people with high needs, the local authority must treat those placed in maintained provision, in academies and free schools, in the further education sector, and in non-maintained and independent provision on a fair and equivalent basis;
- g. In deciding on top-up funding rates for the pupils it will place in special schools maintained by the local authority and special academies previously maintained by the local authority, the local authority must ensure that the rates for each school are set no lower than at such a rate or rates that, if all the pupils in the school or academy were placed by the local authority, and the total number and type of places remained the same in the two financial years, the school or academy's budget would reduce by no more than 1.5% in cash between the 2014 to 2015 and 2015 to 2016 financial years;

- h. When a pupil who requires top-up funding has already been placed in an institution and is in receipt of top-up funding from the local authority at 31 March 2015, the local authority must continue the agreement with the institution to make such top-up payments until such time as the pupil has left the institution, or the contract is replaced by another. When such a pupil is placed by the local authority in an institution at a later date, the local authority must likewise enter into such an agreement;
- i. When making top-up payments to institutions for high needs pupils, the local authority must make the payments in a timely fashion on a basis agreed with the institution, which must be monthly unless otherwise agreed; and
- j. The Department for Education (“the Department”) reserves the right to impose more specific conditions of grant on individual local authorities in relation to the use of DSG for top-up funding for pupils and students with high needs, where it believes that the actions of the local authority are unreasonable. This is likely to relate in particular to failure to agree and pay top-up in a timely manner where a pupil or student has already been placed by the local authority in an institution.

Allocations to academies

12. In some circumstances local authorities need to make direct payments to academies. In the 2015 to 2016 financial year these will include payment of top-up funding for high needs pupils, payments calculated under the early years single funding formula, payments for pupils admitted who have been excluded from other schools, and any allocations from the local authority’s growth fund or falling rolls fund.

Use of grant monies

13. Local authorities have continuing responsibility for financial regularity in maintained schools. Section 151 of the Local Government Act 1972 requires the local authority to appoint an officer responsible for making the necessary arrangements for local financial and management controls: this person is usually known as the CFO. Under these arrangements the CFO will need to ensure that the grant monies are expended for the purpose for which they are intended.

14. In particular, the CFO will need to ensure that expenditure charged to the schools budget falls within the definition of such expenditure as defined in regulations 6 and 7 of the School and Early Years Finance (England) Regulations 2014. In August 2015, the EFA will provide local authorities with an outturn assurance statement for signature by the CFO to certify actual deployment of the DSG.

15. Under the Accounts and Audit (England) Regulations 2011 a local authority is required to undertake an annual review of its system of internal control. It is also required to report, with its annual accounts, on its arrangements in an Annual Governance Statement (AGS) which must be prepared in accordance with proper practices as published by CIPFA. In undertaking such reviews and preparing their AGS, local authorities should consider the arrangements for allocating DSG/budget shares to schools including procedures for ensuring the robustness of pupil data. Local authorities should be able to provide evidence, if required to do so by their own internal auditors or by their external auditors, that demonstrates that they have effective procedures for forecasting pupil numbers at school level.

Accounting

Year end procedures

16. Local authorities are responsible for ensuring that the DSG is deployed in support of the schools budget. This includes both DSG funding allocated to central expenditure within the schools budget and funding for the ISB.

17. In principle, all DSG funding must be allocated to the schools budget in the year in which it is paid to the local authority by the Department. However, where the final adjusted DSG payment for the year exceeds the local authority's original budget provision, the local authority, after consulting the schools forum, may carry the additional grant forward to the following financial year.

18. Grant allocated through the ISB will automatically count as expenditure in support of the schools budget. All such grant placed in the ISB will have to be allocated to budget shares in the year in question. Where actual schools' expenditure exceeds the ISB this will normally be financed by a net reduction in schools' reserves. Where actual schools' expenditure falls short of the ISB, this will be explained by a net increase in schools' reserves.

19. At the end of the financial year the central expenditure element of the schools budget may be under or overspent. If there is an underspend in respect of central expenditure at local authority level this should be separately identified within the associated notes to the accounts. The underspend must be carried forward to support the schools budget in future years, including any of the budget that is moved into earmarked reserves

20. If the local authority overspends on the central expenditure component of the schools budget there are three options:

- a. The local authority may decide to fund all the overspend from its general resources in the year in question;
- b. The local authority may decide to fund part of the overspend from its general resources in the year in question and carry forward part to the schools budget in the next or subsequent year; or
- c. The local authority may decide not to fund any of the overspend from its general resources in the year in question and to carry forward all the overspend to the schools budget in the next or subsequent year.

21. Where a local authority decides it wishes to carry all or some of the overspend forward it needs to obtain the consent of the schools forum, or failing that the Secretary of State, to fund this deficit from the schools budget.

22. The Accounts and Audit (England) Regulations 2011 incorporate a requirement for a note to the statement of accounts confirming actual deployment of the DSG.

Repayment of DSG

23. Where there is evidence that a local authority has used the grant for any purpose other than to support the schools budget the Secretary of State reserves the right to recover the grant.

24. The Secretary of State may require the local authority to repay as much of the DSG as considered reasonable in the following circumstances:

- a. The local authority fails to comply with any of the conditions of the grant;
- b. The local authority fails to use the DSG for the purposes for which it is given; or
- c. The external auditor indicates that he is not satisfied with the treatment of DSG in the local authority's accounts.

Local authority reporting requirements

25. There will be no requirement for local authorities to produce separate final accounts for schools' expenditure or for the use of the grant.

26. The grant received from the Department and its deployment between central expenditure and the ISB should be clearly identifiable within the additional note to the local authority's Statement of Accounts to demonstrate compliance with the limit on central items. Local authorities should refer to CIPFA's SORP guidance note for practitioners.

27. At outturn stage the CFO is required to confirm final deployment of the DSG in support of the Schools budget.

External audit arrangements

28. Appointed auditors are responsible for auditing the financial statements of each local authority and for reaching a conclusion on the local authority's overall arrangements for securing economy, efficiency and effectiveness in the use of resources. The deployment of, and accounting for, DSG in support of the schools budget, and the arrangements for securing economy, efficiency and effectiveness in DSG and schools' expenditure fall within the scope of the work that appointed auditors may plan to carry out, having regard to the risk of material error in the local authority's accounts and significance to overall arrangements for securing value for money.

39. Local authorities should maintain proper arrangements to ensure value for money and provide assurance to the Department when requested that the grant is being deployed in accordance with grant conditions, so that the Department can provide appropriate assurance to Parliament.

40. The Department is subject to external audit by the National Audit Office (NAO) to support Parliament's need for assurance about the Department's grant funding to schools. From time to time the NAO may need to undertake audit work, for example on local authorities' disbursement and monitoring of the grant and its deployment in maintained schools.



Education
Funding
Agency

© Crown copyright 2014

You may re-use this document/publication (not including logos) free of charge in any format or medium, under the terms of the Open Government Licence v2.0. Where we have identified any third party copyright information you will need to obtain permission from the copyright holders concerned.

To view this licence:

visit www.nationalarchives.gov.uk/doc/open-government-licence/version/2

email psi@nationalarchives.gsi.gov.uk

About this publication:

enquiries www.education.gov.uk/contactus

download www.gov.uk/government/publications



Follow us on Twitter:
[@educationgovuk](https://twitter.com/educationgovuk)



Like us on Facebook:
facebook.com/educationgovuk